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SUBJECT: WHERE'S THE TUNA? LEHMAN BROTHERS' BANKRUPTCY AND PIRATES
AFFECTS SEYCHELLES

¶1. SUMMARY: Concerns over the state of the Seychelles tuna industry rose in the wake of news of more piracy in the Indian Ocean and the bankruptcy announcement of Lehman Brothers, a shareholder in one of Seychelles' largest seafood operations. While recent pirate attacks have everyone's attention, not all parties are worried that the Lehman Brothers news will have a significant impact. END SUMMARY.

LEHMAN BROTHERS BANKRUPTCY

¶2. In early 2006, Lehman Brothers created and led an investment consortium called Marine World Brands (MWBrands) in the purchase of Heinz's seafood business, which included commanding shares in four leading European seafood brands, and related canning and processing factories in Ghana, Portugal, France, and Seychelles. The Seychelles facility, Indian Ocean Tuna Company (IOT), is currently 60 percent owned by MWBrands and 40 percent government owned. As the head of the MWBrands investment consortium with a controlling share of 18 percent (the remaining 82 percent is said to be held by undisclosed institutions located mainly in the U.S.), Lehman Brothers has a large stake in the largest nongovernment employer in the Seychelles.

¶3. According to contacts within IOT, the September 15 announcement of Lehman Brothers' bankruptcy caused widespread concern among lower level and middle management employees. A subsequent conversation with Joe Madnach, Chief Financial Officer of IOT, confirmed this, but Madnach reassured ECONOFF that upper-level IOT management is not particularly concerned about Lehman Brothers events affecting operations. In addition to IOT's current profitability and performance, Madnach said the structure of ownership, which limits Lehman Brothers' financial impact on the company, assuages any concern IOT has about Lehman's bankruptcy.

¶4. Madnach further noted that MWBrands' overall performance is too good for it to be dissolved and offered that, although no official communique has been released, the most likely option he envisions is a reallocation of Lehman's 18 percent share (in MWBrands) and appointment of a new firm to head the consortium. Madnach thinks this will have minimal effect on operations.

¶5. Opposition leader Wavel Ramkalawan and his Seychelles' National Party, however, are concerned over the fall of Lehman Brothers. Lehman Brothers is not only tied to the Seychelles economy through IOT, but also issued and backed 200 million USG worth of bonds in 2006 to service Seychelles' external debt and another 30 million USG to fund interest on that initial loan. Seychelles' recent credit downgrade by two of the three leading credit agencies (Standard & Poors and Moodys) also contributed to opposition concern. In a September 15 meeting with the DCM, Ramkalawan said the issue would be raised in Parliament because the public needs to know. On September 16, Finance Minister Danny Faure answered the opposition's parliamentary question by downplaying the effects of Lehman Brothers' bankruptcy on the Seychelles economy.

PIRATES!

¶16. While both IOT and the Government of Seychelles are downplaying the effect of Lehman Brothers' bankruptcy, both parties, as well as the Seychelles public-at-large, seem to be worried about the problems of recent piracy. Many ships registered in Seychelles returned to Port Victoria this week after attempted attacks on the Drennec, a French tuna vessel, and other ships by Somali pirates. These ships are refusing to leave port until their safety concerns can be met.

¶17. In a September 15 conversation with Ambassador Cabrera, Indian Ocean Tuna Commission (IOTC) Executive Director Antonio Anganuzzi confirmed that many boats have halted operations temporarily due to attacks. Post contacts estimate that there are thirty private boats docked in Port Victoria. IOT Finance Director Madnach told ECONOFF that while these private boats are not linked to IOT, their refusal to leave Port can affect operations since the ships want to offload and IOT has a limited 7000 tons storage capacity for offloading.

¶18. On September 16, Minister of Environment Joel Morgan presided over a meeting of stakeholders affected by pirate attacks to discuss next steps. At that meeting, Port Victoria was offered as a "safe haven" to ships and port facilities were offered to regional armed forces to assist in concerted efforts to fight the pirates. In a meeting with the DCM earlier that day, Foreign Minister Patrick Pillay said he felt the U.S. military would be a major stakeholder in the effort to ensure ship safety in their waters.

CABRERA